



**OFFICE OF  
INSPECTOR GENERAL**  
UNITED STATES POSTAL SERVICE

**Recycling  
Opportunities  
in the  
San Francisco  
District**

**Audit Report**

Report Number  
HR-AR-14-002-DR

June 13, 2014





# OFFICE OF INSPECTOR GENERAL UNITED STATES POSTAL SERVICE

## Highlights

***In 2012, Postal Service recycling efforts generated \$49.5 million, with only about one-third of Postal Service facilities participating in backhaul recycling.***

## Background

Recycling is the process of changing used materials into new products to reduce waste. Each year the U.S. Postal Service generates recyclable material, and although there are costs to recycle, it also generates revenue. In 2012, Postal Service recycling efforts generated \$49.5 million, with only about one-third of Postal Service facilities participating in backhaul recycling. Backhauling is when Postal Service employees deliver mail to a facility and return to the originating facility with materials for consolidation and recycling.

The Postal Service requires recycling programs in all districts; however, program results vary. From fiscal years 2012 to 2013, the San Francisco District was among the highest in average monthly waste disposal costs (\$112,049) and among the lowest in average monthly recycling revenue (\$3,312). Our objective was to determine whether opportunities exist to decrease waste disposal costs and increase recycling revenue in the San Francisco District.

## What The OIG Found

Opportunities exist to decrease waste disposal costs and increase recycling revenue in the San Francisco District. We determined management could expand backhauling and better recycle plastics. An average of 65 percent of the material in trash containers at San Francisco District sites was recyclable because management did not make recycling a priority and

always require backhauling. Additionally, employees were not always aware of or trained in recycling policies. We also found that management did not accurately report recycling costs and could not adequately determine the impact of its recycling

From fiscal years 2012 to 2013, the San Francisco District had among the highest average monthly waste costs (\$112,049) and among the lowest average monthly recycling revenue (\$3,312), nationwide. In comparison, the Northern Virginia District's average monthly waste cost was \$29,978 and recycling revenue was \$33,422.

San Francisco District

Nothern Virginia District

program because there are no controls to ensure proper recording of recycling costs. Also, recycling contractors did not always separate cost and revenue on invoices.

We identified best practices in the Northern Virginia District that, if implemented, could help the San Francisco District reduce waste disposal costs and increase recycling revenue. They include monitoring recycling contracts and providing awareness training. By more effectively managing its recycling program, the San Francisco District could reduce annual waste disposal

costs by an average of \$542,135 and increase annual recycling revenue by an average of \$178,245.

### **What The OIG Recommended**

We recommended management implement backhauling procedures, provide additional recycling guidance and training to appropriate personnel, establish controls to ensure personnel accurately record recycling costs, and ensure future recycling contracts require contractors to separate revenue and costs on their invoices.

# Transmittal Letter



OFFICE OF INSPECTOR GENERAL  
UNITED STATES POSTAL SERVICE

June 13, 2014

**MEMORANDUM FOR:** DEAN J. GRANHOLM  
VICE PRESIDENT, PACIFIC AREA

THOMAS G. DAY  
CHIEF SUSTAINABILITY OFFICER

DAVID B. STOWE  
DISTRICT MANAGER, SAN FRANCISCO DISTRICT

E-Signed by Janet Sorensen  
VERIFY authenticity with eSign Desktop



**FROM:** Janet M. Sorensen  
Deputy Assistant Inspector General  
for Revenue and Resources

**SUBJECT:** Audit Report – Recycling Opportunities in the San Francisco District (Report Number HR-AR-14-002)

This report presents the results of our audit of Recycling Opportunities in the San Francisco District (Project Number 14YG002HR000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Monique P. Colter, director, Human Resources and Support, or me at 703-248-2100.

Attachment

cc: Corporate Audit and Response Management

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# Findings

## Introduction

This report presents the results of our self-initiated audit of Recycling Opportunities in the San Francisco District (Project Number 14YG002HR000). Our objective was to determine whether opportunities exist to decrease waste disposal costs and increase recycling revenue in the San Francisco District. See [Appendix A](#) for additional information about this audit.

Recycling is the process of changing used materials into new products to reduce waste. The U.S. Postal Service's environmental policy requires recycling programs in all districts; however, program results vary. As shown in Figure 1, the Postal Service generates large amounts of recyclable material including mixed paper, cardboard, and plastics. The Postal Service incurs a cost to dispose of materials that it could recycle to generate revenue.

**Figure 1. Mixed Paper in a Dumpster**



Source: U.S. Postal Service Office of Inspector General (OIG) photograph taken January 13, 2014, in the San Francisco District.

Nationwide, the Postal Service has targeted undeliverable Standard Mail, discarded lobby mail, and old corrugated cardboard for recycling. Collecting recyclable mail, cardboard, and plastics at a central location by backhauling allows the Postal Service to increase revenue while reducing costs associated with disposing of these materials. Backhauling is a collection method in which Postal Service employees deliver mail to a facility and, before returning to the originating hub,<sup>1</sup> collect recyclables in mail transport equipment (MTE) and transport them to the hub for consolidation and recycling. Employees empty the MTE, which is reused to dispatch mail. The backhaul program is efficient because it uses the existing infrastructure (personnel, transportation, and equipment) to recycle.

<sup>1</sup> A hub is the facility that recyclable material is backhauled to, normally a P&DC.

***We found that Postal Service personnel did not always recycle plastics. Personnel fill dumpsters with potentially recyclable plastic to be hauled away as garbage.***

In February 2014, the Postal Service implemented a standardized national recycling program that focuses on recycling mixed paper, cardboard, and plastic from all Postal Service facilities using universal dumpsters and compactors to maximize efficiency. Based on Office of Sustainability<sup>2</sup> waste assessments, mixed paper (primarily waste mail, discarded lobby mail, and office paper) constitutes 64 percent of the trash by weight that Postal Service facilities are not backhauling.<sup>3</sup> Typically, facility trash disposal has two costs: tonnage to be discarded and a container haul rate. Therefore, minimizing trash tonnage and haul frequency by recycling can significantly reduce disposal costs.

From fiscal years (FY) 2012 to 2013, the San Francisco District had among the highest average monthly waste costs (\$112,049) and among the lowest average monthly recycling revenue (\$3,312) nationwide. In comparison, the Northern Virginia (NOVA) District's average monthly waste cost was \$29,978 and recycling revenue was \$33,422.

## Conclusion

Opportunities exist for the San Francisco District to decrease waste disposal costs and increase recycling revenue. We determined management could expand the use of backhauling and recycle plastics. An average of 65 percent of the trash in San Francisco District dumpsters was recyclable because management did not make recycling a priority and did not implement procedures to backhaul at all designated hubs. Additionally, employees in the San Francisco District were not always aware of recycling policies and procedures or were not adequately trained. Further, management did not accurately record recycling costs so they could not determine exact recycling costs or revenue and could not adequately manage recycling contracts. We identified best practices in the NOVA District that, if implemented, could help the San Francisco District reduce waste costs and increase recycling revenue. By optimizing its recycling program, the San Francisco District could reduce annual waste costs by an average of \$542,135 and increase annual recycling revenue by an average of \$178,245. See [Appendix B](#) for our calculation of monetary impacts.

## Expand Backhauling

Of the three designated hubs in the San Francisco District,<sup>4</sup> only the San Francisco Processing and Distribution Center (P&DC) participated in backhauling. The North Bay Delivery and Distribution Center (D&DC)<sup>5</sup> and the Eureka Post Office (PO), which together service about 100 Postal Service facilities, were not backhauling. This occurred because management did not make recycling a priority and did not implement procedures to backhaul at all designated hubs. Additionally, there is a complex mail flow arrangement between the North Bay D&DC and the Oakland P&DC,<sup>6</sup> which makes implementing backhauling at the North Bay D&DC difficult. Facilities that do not participate in backhauling miss an opportunity to generate revenue while incurring pick-up costs for vendors to collect recyclable material.

## Plastics

We found that Postal Service personnel did not always recycle plastics. As shown in [Figure 2](#), personnel fill dumpsters with potentially recyclable plastic to be hauled away as garbage.

<sup>2</sup> The Office of Sustainability is responsible for developing policies and providing guidance on issues related to Postal Service recycling.

<sup>3</sup> *National Recycling Program* Decision Analysis Report (DAR), page 3, dated September 20, 2013.

<sup>4</sup> *National Recycling Program* DAR, dated September 20, 2013, states that the San Francisco District should have three hubs backhauling.

<sup>5</sup> Formerly the North Bay P&DC.

<sup>6</sup> The North Bay plant is no longer a P&DC and the Oakland P&DC has taken over recycling responsibility; the San Francisco district manager does not have jurisdiction over the Oakland District.

**Figure 2. Plastic in Dumpster**



Source: OIG photograph taken January 13, 2014, in the San Francisco District.

***The San Francisco District could reduce waste costs by about \$1.1 million over two years and increase recycling revenue by \$712,979 over 4 years by expanding its backhauling operations and recycling all plastics.***

This occurred because employees in the San Francisco District were not aware of recycling policies and procedures or were not adequately trained. Twenty-eight of 42 responsible personnel interviewed (67 percent) indicated they were not aware of the requirement to recycle plastics. Additionally, 37 of the 42 responsible personnel (88 percent) stated that they had not received any recycling training and management did not provide any service talks<sup>7</sup> regarding recycling or waste reduction within the previous 3 years. Further, the environmental compliance/sustainability specialist supporting the San Francisco District stated he devoted 5 percent of his time to recycling efforts and the other 95 percent to environmental compliance issues.

According to Postal Service policy,<sup>8</sup> employees must recycle plastic waste resulting from postal operations. Also, Office of Sustainability personnel must provide guidance to district managers on Postal Service environmental policies. While recycling plastics is not a common practice at many facilities, it can be effective with proper awareness and training. The San Francisco District could reduce waste costs by about \$1.1 million over 2 years and increase recycling revenue by \$712,979 over 4 years by expanding its backhauling operations and recycling all plastics.

<sup>7</sup> Service talks are designed to assist management with communicating timely, relevant information to employees in a face-to-face format. Recycling service talks can be downloaded from the Office of Sustainability website.

<sup>8</sup> Management Instruction (MI) EL-890-2009-9, *Recycling Undeliverable Standard Mail, Discarded Lobby Mail, and Other Recyclable Materials*, dated October 1, 2009.

***San Francisco District finance personnel did not accurately report recycling costs.***

***We identified best practices in the Northern Virginia District that, if implemented, could help the San Francisco District reduce waste costs and increase recycling revenue.***

## Reporting Recycling Costs

San Francisco District finance personnel did not accurately report recycling costs. Specifically, they did not record recycling costs separately in general ledger account (GLA) 56607.696, Waste Disposal Costs – Recyclable Materials, Dead Mail, and so forth, as required.<sup>9</sup> For FY 2013, this GLA had a zero balance although some vendors servicing the San Francisco District charged to pick up recyclable materials from postal facilities.

This occurred because management did not have controls to ensure personnel properly recorded recycling costs. Also, installation heads and facility managers are responsible for ensuring vendors provide a volume, cost, and revenue report for services rendered. However, vendor invoices did not always include separate cost and revenue amounts. Recycling contractors subtracted recycling costs from revenue and provided a net amount. As a result, the Postal Service cannot adequately determine the impact of its recycling programs. Inaccurate recycling cost reporting appears to be a systemic issue nationwide. According to management, the Postal Service is reviewing contracts to include a requirement for contractors to segregate revenue and cost amounts in their invoices.

## Best Practices

We identified best practices in the NOVA District that, if implemented, could help the San Francisco District reduce waste costs and increase recycling revenue (see Table 1). The NOVA District has recycling expenses similar to those in the San Francisco District but generated \$333,565 more recycling revenue in 2013 (see Table 2).

**Table 1. NOVA District Best Practices**

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### Monitoring Activities

The contracting officer's representative closely monitors recycling and waste contract requirements and serves as the point of contact for all vendor-related routine matters while keeping accurate records regarding contract-related activities. Monitoring contract compliance and resolving vendor-related issues helps the NOVA District select suitable vendors and contracts. Additionally, management oversee all recyclable material coming into the P&DC from the associated offices and ensure that it is being properly dispersed into the appropriate compactor.

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### Awareness Training

Each postmaster and station and branch manager periodically provide service talks to employees to ensure they are familiar with recycling requirements.

Source: OIG analysis.

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<sup>9</sup> MI-EL-890-2009-9.

**Table 2. Comparison of San Francisco and NOVA Districts  
Calendar Year 2013 Recycling Revenue and Expenses**

Month	San Francisco Gross Revenue	San Francisco Recycling Expenses	San Francisco Net Revenue	NOVA Gross Revenue	NOVA Recycling Expenses	NOVA Net Revenue
January	\$8,076	\$7,488	\$588	\$34,490	\$4,472	\$30,018
February	6,818	6,030	788	32,384	4,128	28,256
March	8,420	5,300	3,120	42,480	4,472	38,008
April	8,191	3,880	4,311	38,127	4,644	33,483
May	7,792	4,680	3,112	31,939	4,730	27,209
June	6,345	4,030	2,315	28,813	4,214	24,599
July	6,671	4,090	2,581	32,144	4,558	27,586
August	6,468	4,260	2,208	29,362	4,730	24,632
September	6,580	3,930	2,650	30,528	4,128	26,400
October	7,573	5,180	2,393	36,438	4,988	31,450
November	6,649	4,190	2,459	40,876	4,644	36,232
December	6,404	5,250	1,154	41,960	4,300	37,660
<b>Total</b>	<b>\$85,987</b>	<b>\$58,308</b>	<b>\$27,679</b>	<b>\$419,541</b>	<b>\$54,008</b>	<b>\$365,533</b>

Source: OIG analysis.

### Postal Service Actions Taken

During our audit, management at the Pine Street and Marina stations and the San Francisco P&DC began lowering trash costs by reducing the size and number of trash dumpsters used and the frequency of trash collection. As of February 2014, the sites compared their monthly waste invoices with their present needs and adjusted accordingly. As a result:

- The Pine Street Station will potentially realize annual savings of \$20,502.
- The Marina Station will potentially realize annual savings of \$18,502.
- The San Francisco P&DC will potentially realize annual savings of \$120,000.

In September 2013, the Postal Service approved \$33.1 million to implement the National Recycling Program. The funds will cover capital improvements and expenses related to recycling operations. The goal of the program is to increase recycling efforts nationwide and standardize recycling procedures across all Postal Service districts by the end of 2017.

# Recommendations

***We recommend management implement backhauling procedures at all designated hubs in the San Francisco District; require additional recycling guidance; require contractors to separate revenue and cost amounts on invoices; provide training to personnel involved with recycling to increase awareness and recycling in the San Francisco District; and establish controls to ensure that responsible personnel accurately record recycling costs.***

We recommend the vice president, Pacific Area:

1. Implement backhauling procedures at all designated hubs in the San Francisco District.

We recommend the chief sustainability officer:

2. Establish procedures to require the environmental compliance/sustainability specialist to provide additional recycling guidance to the district manager and personnel involved with recycling.
3. Coordinate with Supply Management to ensure future recycling contracts require contractors to separate revenue and cost amounts on invoices.

We recommend the San Francisco district manager:

4. Provide training to personnel involved with recycling to increase awareness and recycling in the San Francisco District.
5. Establish controls to ensure that responsible personnel accurately record recycling costs.

## Management's Comments

Management did not state whether they agreed or disagreed with the findings and recommendations but their planned corrective actions indicated agreement with all of the recommendations in the report.

In response to recommendations 1 and 2, management stated that the Office of Sustainability will support the backhaul recycling operations and procedures for the San Francisco District as part of the implementation of the National Recycling Operation program, which is scheduled to begin FY 2015. As part of this program, the office will also provide additional recycling guidance to the San Francisco District. In prior correspondence, management stated the program would be completed by September 30, 2015.

Regarding recommendation 3, management stated that the National Recycling Operation program already includes a requirement to standardize recycling contracts to separate revenue and cost amounts.

For recommendations 4 and 5, the Office of Sustainability will support the San Francisco District with personnel training and provide the district manager support in assisting responsible personnel in the proper recording of recycling costs as part of the National Recycling Operation program.

See [Appendix D](#) for management's comments, in their entirety.

## Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations and corrective actions should resolve the issues identified in the report. The OIG considers all the recommendations significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. These recommendations should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

# Appendices

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## Appendix A: Additional Information

### Background

Recycling and eliminating waste are widely recognized by corporate America as business opportunities. In 2012, Postal Service recycling efforts generated recycle revenue of \$49.5 million, although only about one-third of Postal Service facilities participated in backhauling. Backhauling is a collection method where Postal Service employees deliver mail to a facility and return to the originating facility with used materials for consolidation and recycling.

The Postal Service is deploying a standardized national recycling program that focuses on comprehensive recycling of mixed paper (primarily waste mail, discarded lobby mail, and office paper), cardboard, and plastic from all Postal Service facilities using universal dumpsters and compactors to maximize efficiencies. Based on Office of Sustainability waste assessments, mixed paper constitutes 64 percent<sup>10</sup> of the trash by weight at Postal Service facilities that are not backhauling. Typically, facility trash disposal has two costs: tonnage to be discarded and a container haul rate. Therefore, minimizing trash by recycling can significantly reduce disposal costs.

In FY 2011, the San Francisco District initiated a Lean Six Sigma project<sup>11</sup> to increase its paper recycling revenue. It estimated the district's pick-up cost for recycled paper was \$86,640 for FY 2011.<sup>12</sup> The study recognized the San Francisco District was not maximizing its recycling revenue and was trailing most districts in the nation in recycling. The study only recognized paper as a recycling commodity and projected an increase of at least \$50,000 annually. The San Francisco District did not achieve this goal.

### Objective, Scope, and Methodology

Our objective was to determine whether opportunities exist to decrease waste disposal costs and increase recycling revenue in the San Francisco District. To accomplish our objective, we:

- Reviewed recycling and waste collection processes and the roles and responsibilities of Postal Service Operations, Supply Chain Management, Sustainability, and Finance.
- Benchmarked with the NOVA District for best practices because this district was among the lowest in average monthly waste disposal costs and among the highest in average monthly recycling revenue in the nation.
- Interviewed Postal Service officials responsible for recycling and waste management.
- Identified and reviewed contracts related to recycling and waste management.
- Visited the 42 stations and branches in the San Francisco District with the highest waste disposal costs, including the three designated San Francisco District hubs.

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<sup>10</sup> *National Recycling Program* DAR, page 3, dated September 20, 2013.

<sup>11</sup> Continuous improvement, based primarily on time tested Lean Six Sigma methodologies, identifies and corrects the root causes of an issue rather than addressing superficial symptoms. In 2007, the Postal Service made a strategic decision to adopt established Lean Six Sigma principles to improve its business.

<sup>12</sup> Executive Summary, Lean Six Sigma Study presentation, 2011.

- Identified the mix of paper, plastic, and cardboard in trash dumpsters and determined the percentage of waste at each facility that could have been recycled.
- Analyzed current collection procedures and reviewed invoices for recycle revenue.

We conducted this audit from October 2013 through June 2014 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management on May 5, 2014, and included their comments where appropriate.

We assessed the reliability of Enterprise Data Warehouse<sup>13</sup> data by judgmentally comparing system data to source documents. We determined that the data were sufficiently reliable for the purposes of this report.

### **Prior Audit Coverage**

We did not identify prior audit reports pertaining to this topic within the last 3 years.

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<sup>13</sup> A single repository for storing and managing all Postal Service data assets.

## Appendix B: Monetary Impacts

Recommendation	Impact Category	Amount
1	Revenue Loss <sup>14</sup>	\$712,979
2	Questioned Costs <sup>15</sup>	542,135
2	Funds Put To Better Use <sup>16</sup>	542,135
<b>Total</b>		<b>\$1,797,249</b>

### Revenue Loss

We calculated recycling revenue based on the projected amount the Postal Service should have recycled compared to what it did recycle during the same period. The difference represents revenue loss. We used the methodology from an agency advisory<sup>17</sup> and calculated projected recycle revenue using both Carrier Route and San Francisco District population methods. We used the most conservative amount of the two, which totaled \$712,979 from calendar years (CY) 2012 through 2015.

Specifically, we:

- Calculated estimated potential revenue (EPR) for each year.
- Obtained actual recycling revenue (ARR) for 2011, 2012, and 2013.
- Projected estimated recycling revenue (ERR) for 2014 and 2015 using regression analysis.<sup>18</sup>
- Calculated lost revenue = EPR - ARR (or ERR).
- Identified total revenue loss as the total of all 4 calendar years, which equals \$712,979 (\$358,080 revenue loss for 2012 and 2013 and \$354,899 revenue loss for 2014 and 2015).

<sup>14</sup> Amount Postal Service is (or was) entitled to receive but was underpaid or not realized because policies, procedures, agreements, requirements, or good business practices were lacking or not followed.

<sup>15</sup> Unnecessary and unreasonable. Usually a result of historical events.

<sup>16</sup> Funds that could be used more efficiently by implementing recommended actions.

<sup>17</sup> *Recycling Advisory Bulletin No. 6*, Estimating the Volumes and Revenues from Recycling Paper and Plastics, June 2012, provides guidance to Postal Service districts on estimating revenue from an active recycling program.

<sup>18</sup> A statistical process for determining the relationships among variables for predicting and forecasting.

### Questions Costs and Funds Put to Better Use

We calculated questioned costs and funds put to better use based on 42 sites with the highest waste expenditures. The sites selected captured about 80 percent of the waste costs. Based on our observation of 42 sites and agreement by facility supervisors, we applied the percentage of recyclable material that was in the trash dumpsters to the total waste costs, which totaled \$542,135. The questioned cost is for CY 2013 and funds put to better use is for CY 2014.

Specifically, we:

- Obtained waste costs for the entire San Francisco District.
- Identified 42 high waste cost sites.
- Estimated the percentage of trash that should be recycled.
- Multiplied the percentage of trash that should be recycled by actual waste costs for all 42 facilities.
- Total of 42 sites equals \$542,135.

## Appendix C: Sites Visited

We visited the following 42 field sites to observe recycling operations and activities.

Site Name	Address
Arcata PO	799 H Street; Arcata, CA
Bayview Station	2111 Lane Street; San Francisco, CA
Belmont PO	640 Masonic Way; Belmont, CA
Belvedere/Tiburon PO	6 Beach Road; Tiburon, CA
Brannan Station	460 Brannan Street; San Francisco, CA
Bryant Street Station	1600 Bryant Street; San Francisco, CA
Burlingame PO	220 Park Road; Burlingame, CA
Casa Grande Carrier Annex	1601 Corporate Circle; Petaluma, CA
Corte Madera PO	7 Pixley Avenue; Corte Madera, CA
Daly City PO	1100 Sullivan Avenue; Daly City, CA
Eureka PO	337 W Clark Street; Eureka, CA
Gateway San Francisco PO	1 Embarcadero Center; San Francisco, CA
Golden Gate Station	3245 Geary Boulevard; San Francisco, CA
Irving Street Station	821 Irving Street; San Francisco, CA
Los Altos PO/Loyola Corners Station	1525 Miramonte Avenue; Los Altos, CA
Mendell Street Carrier Annex	151 Mendell Street; San Francisco, CA
Menlo Park PO	3875 Bohannon Drive; Menlo Park, CA
Mill Valley PO	751 Blithedale Avenue; Mill Valley, CA
Mission Street Station	1198 S. Van Ness Avenue; San Francisco, CA
Napoleon Street Carrier Annex	180 Napoleon Street; San Francisco, CA
North Bay P&DC	1150 N. McDowell Boulevard; Petaluma, CA
North Beach Annex	2200 Powell Street; San Francisco, CA
Novato PO	1537 S. Novato Boulevard; Novato, CA
Palo Alto PO	2085 E. Bayshore Road; Palo Alto, CA
Parkside Station	1800 Taraval Street; San Francisco, CA
Pine Street Station	1400 Pine Street; San Francisco, CA
Rohnert Park PO	150 Raleys Towne Center; Rohnert Park, CA
San Anselmo PO	121 San Anselmo Avenue; San Anselmo, CA
San Bruno PO	1300 Huntington Avenue; San Bruno, CA
San Carlos PO	809 Laurel Street; San Carlos, CA

<b>Site Name</b>	<b>Address</b>
San Francisco International Service Center	660 West Field Road; South San Francisco, CA
San Francisco P&DC	1300 Evans Avenue; San Francisco, CA
San Mateo PO	1630 S. Delaware Street; San Mateo, CA
San Rafael PO	40 Bellcam Boulevard; San Rafael, CA
Santa Rosa PO	730 2nd Street; Santa Rosa, CA
Sebastopol PO	290 S. Main Street; Sebastopol, CA
Steiner Street PO	1849 Geary Boulevard; San Francisco, CA
Sunnyvale PO	209 E. Java Drive; Sunnyvale, CA
Sunset Station	1314 22nd Avenue; San Francisco, CA
Sutter Street Station	150 Sutter Street; San Francisco, CA
Townsend Station	550 Townsend Street; San Francisco, CA
Ukiah PO	671 S. Orchard Avenue; Ukiah, CA

Source: OIG analysis.

## Appendix D: Management's Comments

THOMAS G. DAY  
CHIEF SUSTAINABILITY OFFICER



June 3, 2014

Judith Leonhardt,  
Director, Audit Operations  
U.S. Postal Service Office of Inspector General's

Subject: Recycling Opportunities in the San Francisco District (Project Number 14YG002HR000)

We have reviewed the above mentioned OIG report and recommendations on recycling opportunities for the San Francisco District and provided responses herein.

OIG Recommendations:

We recommend the vice president, Pacific Area:

1. Implement backhauling procedures at all designated hubs in the San Francisco District.

Response: The Office of Sustainability will support the backhaul recycling operations and procedures for the San Francisco District as part of the implementation of the National Recycling Operation (Program); this is scheduled to commence during FY 2015. Timelines associated with the remaining OIG recommendations/USPS responses herein shall be implemented according to this FY 2015 schedule.

The Office of Sustainability identified the issue of recycling within the Postal Service and created the USPS National Recycling Operation (Program). A Decision Analysis Review (DAR) was completed in FY 2013. The DAR was approved by the Investment Review Committee and Postmaster General in FY 2013 and funding provided in FY 2014, as well as subsequent years.

We recommend the chief sustainability officer:

2. Establish procedures to require the environmental compliance / sustainability specialist to provide additional recycling guidance to the district manager and personnel involved with recycling.

Response: The Office of Sustainability will provide additional recycling guidance to the District manager and personnel as part of the National Recycling Operation; this was already envisioned and planned for in the implementation of this program.

3. Coordinate with Supply Management to ensure future recycling contracts require contractors to separate revenue and cost amounts on invoices.

Response: The National Recycling Operation already includes a requirement to standardize Recycling Contracts via the Supply Management group. The separation of revenue and cost amounts will be part of this standardization effort.

475 L'ENFANT PLAZA SW  
WASHINGTON DC 20260  
WWW.USPS.COM

We recommend the San Francisco district manager:

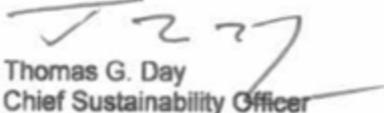
4. Provide training to personnel involved with recycling to increase awareness and recycling in the San Francisco District.

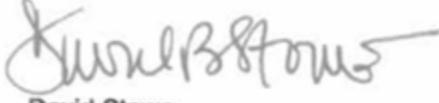
Response: The Office of Sustainability will support the district manager with this personnel training as part of the implementation of the National Recycling Operation.

5. Establish controls to ensure that responsible personnel accurately record recycling costs.

Response: The Office of Sustainability will provide the district manager support in assisting responsible personnel in the proper recording of recycling costs as part National Recycling Program initiative deployment in the San Francisco District.

  
for  
Dean Granholm  
Area Vice President  
Pacific Area

  
Thomas G. Day  
Chief Sustainability Officer  
United States Postal Service

  
David Stowe  
District Manager  
San Francisco

cc: San Francisco District Manager, David Stowe

Email signed response to [audittracking@uspsaig.gov](mailto:audittracking@uspsaig.gov), with a copy to Sally K. Haring, manager, Corporate Audit and Response Management, U.S. Postal Service at [CARManager@USPS.GOV](mailto:CARManager@USPS.GOV).

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